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May 22, 2001

By Hand

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

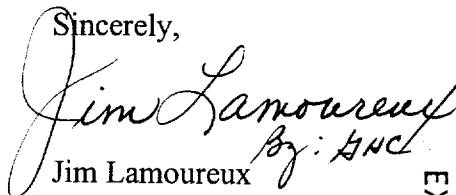
Re: In Re: Joint Petition of TEC Companies and the Consumer Advocate Division for
Approval of Earnings Review Settlement
Docket No. 99-00995

Dear Mr. Waddell:

Enclosed for filing in the above-captioned proceeding are an original and thirteen copies of Reply Comments of AT&T to the Attorney General's Objection to the Proposed Memorandum of Understanding Between TEC and AT&T Filed May 8, 2001.

If you have questions, please call me.

Sincerely,


Jim Lamoureux

Encls.

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REGULATORY AUTH.
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OFFICE OF THE
EXECUTIVE SECRETARY

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee**

IN RE: JOINT PETITION OF TEC)	
COMPANIES AND THE CONSUMER)	DOCKET NO. 99-00995
ADVOCATE DIVISION FOR APPROVAL)	
OF EARNINGS REVIEW SETTLEMENT)	

**REPLY COMMENTS OF AT&T TO THE ATTORNEY GENERAL'S
OBJECTION TO THE PROPOSED MEMORANDUM OF
UNDERSTANDING BETWEEN TEC AND AT&T FILED MAY 8, 2001**

The Attorney General of the State of Tennessee, by and through the Consumer Advocate and Protection Division of the Attorney General and Reporter for the State of Tennessee ("Attorney General"), continues its attempts to exclude AT&T from this docket through its "Objection to the Proposed Memorandum of Understanding Between TEC and AT&T filed May 8, 2001" (Objection). The Attorney General in this Objection repeats the same arguments made in previous filings.¹ AT&T has properly responded to the Attorney General filings and will not repeat those arguments herein.²

¹ *In Re: Earnings Investigation of Crockett Telephone Company, Inc., People's Telephone Company, Inc. and West Tennessee Telephone Company, Inc., (The Three "TEC Companies") for the Years 1999-2001*, Docket Number 99-00995; Consumer Advocate Division's Motion to Dismiss AT&T's Petition for Intervention issued 1/31/00; Consumer Advocate Division's Memorandum in Support of Motion for Summary Judgment Dismissing AT&T's Complaint Against TEC's Proposed Rate Design Because AT&T's Proposed Design is Not in the Public Interest or, in the Alternative, for Transfer to the Access Charge Reform Docket issued 3/7/01; Consumer Advocate Division's Motion for Summary Judgment Dismissing AT&T's Complaint Against TEC's Proposed Rate Design Because AT&T's proposed Design is Not in the Public Interest or, in the Alternative, for Transfer to the Access Charge Reform Docket issued 3/7/01; Consumer Advocate Division's Comments on AT&T's Statement of Issues issued 6/14/00; Attorney General's Reply Brief issued on 1/19/01.

² *In Re: Earnings Investigation of Crockett Telephone Company, Inc., People's Telephone Company, Inc. and West Tennessee Telephone Company, Inc., (The Three "TEC Companies") for the Years 1999-2001*, Docket Number 99-00995; Reply of AT&T Communications of the South Central States, Inc. to "Consumer Advocate Division's Motion for Summary Judgment Dismissing AT&T's Complaint Against

AT&T does respond to the following comments made in the Attorney General's Objection:

As evidenced by its responses in this docket, AT&T has been and is prepared to move forward with finalizing the list of issues, initiation and completion of outstanding discovery requests, filing of testimony and a hearing in order to establish a record. The Attorney General addressed the need for a record with the statement that "In this docket, there is no evidence anywhere in the record of what the actual access charge cost is." Likewise, there is no evidence anywhere in the record to show what the cost of service is for the rate elements proposed for change by TEC and the Attorney General settlement agreement. No record has been established in this docket.

The Attorney General continues the inappropriate attempt to include the regulation of AT&T and other carriers in this docket by referencing legislative action and regulatory requirements. AT&T responded to a similar Attorney General argument in its March 23, 2000 filing. (See footnote 2, AT&T Reply issued 3/23/00, Issue II, p.5.)

The Attorney General also continues the arguments regarding the Access Charge Reform Docket No. 97-00889 and AT&T responded to these arguments in its March 23, 2000 filing. (See footnote 2, AT&T Reply issued 3/23/00, Issue II, p.7.)

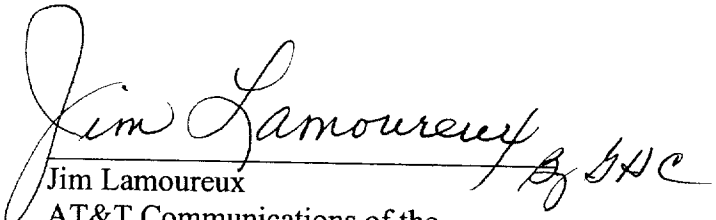
The TEC companies and AT&T entered into negotiations in an attempt to resolve their differences in this docket just as the TEC companies and the Attorney General entered into negotiations and resolved their differences with the proposed Settlement Agreement. The referenced Memorandum of Understanding ("MOU") is the result of

TEC's Proposed Rate Design Because AT&T's Proposed Design is not in the Public Interest, or in the Alternative, for Transfer to the Access Charge Reform Docket issued 3/23/00; Reply of AT&T Communications of the South Central States, Inc. to Comments to TEC Companies and the Consumer

those negotiations and is a compromise agreement between the TEC companies and AT&T. This MOU does not affect the proposed Settlement Agreement between the TEC companies and the Attorney General.

AT&T respectfully requests that the Authority overrule the Objection filed by the Attorney General and accept the TEC companies and AT&T Memorandum of Understanding.

Respectfully filed this 22nd day of May, 2001.


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